

Message Text

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TREASURY PASS SECRETARY SIMON'S PARTY FOR PARSKY

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TAGS: EGEN OVIP (ROBINSON, CHARLEST W.) EG

SUBJECT: UNDER SECRETARY ROBINSON'S VISIT: DISCUSSIONS RE STATUS
GOODYEAR AND TABER METALS PROJECTS

SUMMARY: UNDERSEC ROBINSON DISCUSSED GOODYEAR AND TABER METALS PROJECTS WITH SENIOR GOE OFFICIALS, INCLUDING PRIMIN AND MINECONCOOP, DURING JUST CONCLUDED VISIT. HE STRESSED IMPORTANCE GETTING SOME AMERICAN-EGYPTIAN JOINT VENTURE PROJECT UNDERWAY AS A MEANS OF ENCOURAGING OTHER SUCH INVESTMENTS. PRIMIN STATED GOE'S READINESS IN PRINCIPLE TO CONCLUDE GOODYEAR AGREEMENT, THOUGH TIME LIMITATION DURING WHICH FOREIGN EXCHANGE WILL BE MADE AVAILABLE WILL HAVE TO BE NEGOTIATED. HOWEVER, NEITHER INVESTMENT AND FREE ZONE OR GOFI AUTHORITIES HAVE AS YET GOTTEN THE WORD. RE TABER METALS, WHILE EGYPTIANS ACCEPT PRINCIPLE THAT TECHNOLOGY BEING INTRODUCED MAY BE CAPITALIZED, THERE REMAINS QUESTION OF HOW MUCH OF TABER EQUITY MAY BE ASSIGNED TO TECHNOLOGY AND WHETHER TABER EXPERTISE REPRESENTS ALLOWABLE TECHNOLOGY AS ENVISAGED IN LAW 43. INVESTMENT AND FREE ZONE AUTHORITY HAS SOUGHT LEGAL OPINION, BUT UNDERSEC WAS ASSURED OUTSTANDING ISSUES SHOULD BE RESOLVABLE.

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1. DURING UNDER SECRETARY SECRETARY ROBINSON'S JUST CONCLUDED VISIT TO CAIRO, GOODYEAR AND TABER METALS PROJECTS WERE DISCUSSED IN CONTEXT OF THE NEED TO GET SOME AMERICAN-EGYPTIAN JOINT VENTURE PROJECT UNDERWAY. FOLLOWING SUMMARIZES PERTINENT TALKS:

2. GOODYEAR: IN VIEW SITUATION DESCRIBED CAIRO 2449, UNDER SEC AND AMBASSADOR TOOK OCCASION OF A MEETING WITH PRIME MINISTER MAMDOUH SALIM, FEBRUARY 26 TO RAISE THE SUBJECT. PRIMIN SAID THAT HE NO LONGER SAW ANY POLICY PROBLEM WITH GOODYEAR PROPOSAL FOR FOREIGN EXCHANGE ASSURANCE AND CLAIMED THAT ALL THAT WAS NECESSARY NOW WAS TO ARRANGE FOR GOODYEAR DELEGATION TO COME TO CAIRO TO IRON OUT FINAL DETAILS AND CONCLUDE ARRANGEMENT. PRIMIN INDICATED, HOWEVER, THAT TIME FRAME DURING WHICH NEEDED FOREIGN EXCHANGE WOULD BE MADE AVAILABLE BY GOE WOULD HAVE TO BE LIMITED AND THAT THIS HAD STILL TO BE NEGOTIATED. HE DID NOT SEEM AWARE OF GOODYEAR CONCERN THAT GOE IS ATTEMPTING RENEGOTIATION ALREADY AGREED UPON CONTRACTUAL PROVISIONS.

3. SUBSEQUENTLY, UNDERSEC ALSO RAISED MATTER WITH MINECONCOOP SHAFEL, WHO HAD NO SUBSTANTIVE COMMENT. AT DINNER LAST EVENING, HOWEVER, DEPUTY MINECONCOOP GHANDOUR EXPRESSED SOME MISGIVINGS ABOUT THE PROJECT. NOTING THAT 70 PERCENT OF THE EXPENSES WILL BE OFFSHORE, HE OBSERVED THAT THE GOODYEAR PROJECT IS NOT LIKELY TO MAKE AN EFFECTIVE NET CONTRIBUTION OF FOREIGN EXCHANGE. CHANDOUR EXPRESSED HOPE THAT SOME SOLUTION MIGHT BE FOUND, BUT MADE NO BONES ABOUT HIS CONCERN THAT THE FIRST MAJOR JOINT VENTURE INVESTMENT PROJECT WITH AN AMERICAN FIRM NOT BE ONE WHICH CAN BE CRITICIZED BECAUSE OF FOREIGN EXCHANGE ASPECTS. UNDERSEC STRESSED THAT GOE SHOULD LOOK AT THE PROJECT (ALONG WITH TABER METALS) IN THE LIGHTS OF ITS OVERALL CONTRIBUTION TO THE EGYPTIAN ECONOMY AND ITS SYMBOLIC IMPORTANCE IN SHOWING THAT THE "OPEN DOOR" POLICY HAS MEANING.

4. IN EFFORT FOLLOW UP ON PRIMIN'S STATEMENT, AMB ASKED COMML. OFF. TO CONTACT DG RUSHDI OF INVESTMENT LIMITED OFFICIAL USE

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AND FREE ZONE AUTHORITY TO ASCERTAIN IF PRIMIN'S POSITION HAD BEEN CONVEYED TO BEAUROCRACY. RUSHDI PROFESSED UN-AWARENESS PRIMIN'S VIEWS AND SAID HE WOULD HAVE TO CHECK WITH GOFI DEPUTY DIRECTOR HASSAN ABD AL-FATTAH. WHEN EMBOFF ALSO CALLED ABD AL-FATTAH, LATTER TOO CLAIMED HE HAD NOT HEARD OF PRIMIN'S POSITION, WHICH HE INSISTED MINECONCOOP WOULD HAVE TO CONFIRM FROM PRIMIN'S OFFICE. WE WILL CONTINUE EFFORTS GET WORD DOWN TO THE BUREAUCRACY

WHICH MAY BE EXPECTED DO ITS UTMOST TO DRAG ITS FEET.

5. TABER METALS: IN VIEW REPORTS THAT GOE IS CURRENTLY QUESTIONING TABER METALS' EFFORT TO CAPITALIZE ITS TECHNOLOGY CONTRIBUTION TO THE ALUMINUM JOINT VENTURE PROJECT, UNDERSEC ALSO RAISED THIS SUBJECT WITH PRIMIN. LATTER WAS OBVIOUSLY NOT FAMILIAR WITH IT AND REFERRED TO AN AMERICAN COMPANY (HUNTER ENGINEERING) HAVING OBTAINED A MAJOR SHARE OF THE CONTRACT FOR EQUIPMENT OF ALUMINUM PLANT PROJECT IN RECENT NEGOTIATIONS.

6. AT ALREADY MENTIONED MEETING WITH SHAFEI, FEBRUARY 27, UNDERSEC AND AMBASSADOR POINTED OUT OUR UNDERSTANDING THAT UNDER LAW 43 TECHNOLOGY CAN RIGHTFULLY BE CLAIMED FOR EQUITY CAPITALIZATION. SHAFEI AGREED THAT THIS IS PERMITTED IN INVESTMENT LAW, BUT DID NOT APPEAR KNOWLEDGEABLE OF TABER METALS PROBLEM.

7. AT SUBSEQUENT MFA LUNCHEON IN UNDERSEC'S HONOR, HE HAD OPPORTUNITY PURSUE MATTER FURTHER WITH GHANDOUR, WHO HAD APPARENTLY BEEN DIRECTLY INVOLVED IN NEGOTIATIONS ON THE PROJECT. GHANDOUR EXPLAINED THAT THERE IS NO QUESTION RE CAPITALIZING TABER METALS TECHNOLOGY, BUT THAT SOLE REMAINING PROBLEM IS AMOUNT OF EQUITY TO BE ASSIGNED TO TECHNOLOGY PROVIDED BY TABER. IT WAS HIS BELIEF THAT THE AMOUNT OF EQUITY CLAIMED FOR TABER TECHNOLOGY WAS TOO HIGH AND HE HAD ASKED FOR MARKETING ANALYSIS TO TRY TO DETERMINE ITS PROPER VALUE. UNDERSEC ROBINSON CHALLENGED THIS APPROACH, INDICATING THAT TRUE MARKET VALUE OF TECHNOLOGY WAS ESTABLISHED WHEN PARTNERS, INCLUDING KUWAITI INVESTORS AND AUC UNIVERSITY ENDOWMENT FUND, AGREED TO GRANT TABER METALS PRESENT EQUITY CREDIT FOR ITS TECHNOLOGY. UNDERSEC FURTHER EXPLAINED THAT THIS LIMITED OFFICIAL USE

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EQUITY LEVEL IS FUNCTION OF PROFITABILITY, WHICH INVESTING PARTNERS BELIEVE TECHNOLOGY WILL BRING TO ENTERPRISE. THEREFORE, IN HIS VIEW, MARKET VALUE OF TABER TECHNOLOGY WAS ALREADY ESTABLISHED BY AGREEMENT OF OTHER PARTNERS IN JOINT VENTURE IN ASSIGNMENT OF EXISTING PERCENTAGE OF EQUITY TO TABER.

8. GHANDOUR, WHILE NOT TOTALLY CONVINCED BY ARGUMENT PRESENTED BY UNDERSEC, INDICATED THAT HE WOULD MOVE FORWARD WITH TABER PROJECT THE FOLLOWING DAY AND WOULD ARRANGE FOR IT TO BE CONSIDERED EVEN THOUGH THERE MIGHT NOT BE FULL AGREEMENT ON CAPITALIZATION VALUE OF TABER TECHNOLOGY, LEVEL OF WHICH COULD BE AGREED UPON WITHOUT TOO MUCH DIFFICULTY AFTER APPROVAL HAD BEEN OBTAINED FROM INVESTMENT BOARD. HOWEVER, WHEN COMML OFF. SPOKE TODAY

WITH INVESTMENT BOARD DG RUSHDI, LATTER INSISTED LAW 43
ONLY ALLOWS CAPITALIZATION OF TRADEMARKS OR POTENTIAL
TECHNOLOGY--NOT EXPERTISE AS PROPOSED IN TABER PROJECT.
HE SAID THAT HE HAD REQUESTED LEGAL OPINION TO BE PREPARED
BEFORE FEBRUARY 29 INVESTMENT BOARD MEETING. AMB HAS
ASKED THAT ABOVE BE CONVEYED TO LOCAL TABER REP WITH SUGGESTION
HE FOLLOW UP WITH APPROPRIATE GOE OFFICIALS.
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